

|  |     |        |     |                      |            |
|--|-----|--------|-----|----------------------|------------|
| FSC-6-B  |     | 1/9/98 |     |                      |            |
| SUBJECT: State of New Jersey Cigarette Excise Tax Increase |     |        |     | PARTIAL DISTRIBUTION |            |
| DISTRIBUTION:  |     |        |     | 11                   | x 21       |
| X  | AVP | X      | KAM | X                    | DM         |
| X  | RSM | X      | AM  | X                    | RM         |
| X  | RBM | X      | AE  |                      | Sales Rep  |
| X  | ROM |        |     |                      | Retail Rep |
|  |     |        |     | 12                   | x 22       |
|  |     |        |     | 13                   | x 23       |
|  |     |        |     | 16                   | x 26       |
|  |     |        |     | 17                   | x 29       |
|  |     |        |     | 18                   |            |

Please be advised the State of New Jersey has increased their cigarette tax rates effective January 1, 1998, as follows:

| <u>New Jersey</u> | <u>Old Rate</u> | <u>New Rate</u> | <u>Amount of Increase</u> |
|-------------------|-----------------|-----------------|---------------------------|
| Packs of 20s      | 40¢             | 80¢             | 40¢                       |
| Packs of 25s      | 50¢             | \$1.00          | 50¢                       |

A floor stock tax will be imposed both at wholesale and retail level.

Car Stock Product Inventory: (including BSGSF Gratis and Sample Product)

Advise any Sales/Retail Representatives that carry New Jersey taxed cigarettes to complete Attachment A.

- Determine as accurately as possible the inventory of cigarettes in their possession as of the close of business December 31, 1997.
- The Sales/Retail Representatives should write the Division Manager a check for the amount of the tax increase for all live product inventoried by 20's and 25's. Do not include payment for gratis portion of BSGSF or sample product (include count only on form).

After the Division Managers receive checks from Sales/Retail Representatives, he/she should write one check made payable to R. J. Reynolds Tobacco Company for the value of tax increase for car stock.

One check (car stock only) should be mailed from each division direct to Mr. William C. Ervin, Department of Taxation, Winston-Salem along with a copy of each Sales/Retail Representative's Car Stock Inventory Report.

Any check and forms should be received by William C. Ervin no later than January 26, 1998.

BSGSF/CENTURY Direct Account Floor Tax Report

In direct accounts shipping the State of New Jersey, determine as accurately as possible the inventory count (for that product which was stamped for New Jersey use) as of December 31, 1997 and report on Attachment B in the following manner:

- Any BSGSF product (Gratis portion Only) stamped at the old rate that is on the direct account's floor should be reported indicating the number of packs and the reimbursement due the account for the State Tax increase.
- An on hand Century inventory count must be made and reported by case.

The direct account will be issued a credit for reimbursement of the gratis portion only of the BSGSF product and applicable Century Tax increase differential.

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Sampling Field Marketing & Sports Marketing Enterprises:

If any outside sampling suppliers have had samples on hand as of December 31, 1997 please furnish this department with names and addresses of the suppliers, the event for which the product was shipped and the brand and quantity on hand by pack size no later than January 26, 1998.

A written report must be received from each sampling agency stating whether or not cigarettes are on hand.

Returned Goods

The State of New Jersey will reimburse refunds at the new rate due to floor stock tax being applied to both wholesale and retail.

Program contact: Bill Ervin, extension #0263

R. J. REYNOLDS TOBACCO COMPANY

Attachments

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**FOR NEW JERSEY USE ONLY****STATE TAX CAR STOCK CIGARETTE INVENTORY**

| TYPE         | TOTAL #<br>OF PACKS | New Jersey<br>S.E.T. INCREASE | New Jersey<br>S.E.T. DUE |
|--------------|---------------------|-------------------------------|--------------------------|
| Pack of 20's | _____.              | 40¢                           | \$ _____.                |
| Pack of 25's | _____.              | 50¢                           | \$ _____.                |
|              |                     |                               | TOTAL \$ _____, Note *   |

**BSGSF CAR STOCK (GRATIS PACK ONLY)**

| TYPE         | PACKS  |
|--------------|--------|
| Pack of 20's | _____. |
| Pack of 25's | _____. |

**STATE TAX SAMPLE PRODUCT (GRATIS) INVENTORY**

| TYPE               | PACKS  |
|--------------------|--------|
| Pack of 20's       | _____. |
| Pack of 25's       | _____. |
| TOTAL PACKS _____. |        |

I certify that the inventory taken above is an accurate count of the number of New Jersey cigarette packs held in my possession, including sample and BSGSF Gratis product, as of the close of business December 31, 1997.

|   |                           |                        |
|---|---------------------------|------------------------|
| Division # _____                                    | Employee Signature _____  | Date _____             |
|   | Employee Name-Print _____ | Employee Acct. # _____ |
| Division Manager Signature (Indicates Review) _____ |                           |                        |

**Note \*:**

A check payable to RJR Division manager (from the employee) for the amount of the New Jersey State Tax Increase.

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**FOR NEW JERSEY ONLY  
(FOR DIRECT ACCOUNT INVENTORY)**

**SIS ACCOUNT NUMBER:** \_\_\_\_\_

**CUSTOMER NAME:** \_\_\_\_\_  
(Entire ship-to address)

\_\_\_\_\_  
\_\_\_\_\_

**BSGSF NEW JERSEY STATE EXCISE FLOOR TAX**

\_\_\_\_\_ BSGSF packs (Gratis Portion only) X 40¢ State Tax Increase) =  
\$ \_\_\_\_\_ amount due.

**FOR HOME OFFICE USE ONLY**

Reason Code: 686

Pseudo Code: 0085

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**CENTURY PRODUCT ON HAND**

\_\_\_\_\_ 6M Cases

**FOR HOME OFFICE USE ONLY**

Reason Code: 657

Pseudo Code: 0010

To allow price differential for Century product on hand, billed  
prior to \_\_\_\_\_ due to \_\_\_\_\_ tax  
increase of \_\_\_\_\_.

\_\_\_\_\_ cases at \$ \_\_\_\_\_ per case =  
\$ \_\_\_\_\_ amount due.

\*\*\*\*\*

**Return no later than January 19, 1998 to:**

**MS ANNE REID  
R. J. REYNOLDS TOBACCO  
CUSTOMER SERVICES DEPARTMENT  
P. O. BOX 2959  
WINSTON-SALEM, NC 27102**

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